

Testimony of Robert C. Bobb
Emergency Financial Manager for the Detroit Public Schools
House Education Committee
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Good morning Chairman Melton, Vice Chairs Brown and Pavlov, committee members, staff and guests. I am Robert C. Bobb and I serve as the Emergency Financial Manager for the Detroit Public Schools. I am pleased to return here this morning along with DPS Chief Academic and Accountability Auditor Dr. Barbara Byrd-Bennett. Dr. Bennett has been with our team since last April.

Dr. Byrd-Bennett has a long and successful career in urban public education, particularly in inner urban school districts. She led three urban U.S. districts including overseeing a turnaround district within the New York City Public Schools, received the 2001 Council of Great City Schools Urban Superintendent of the Year award, and co-chaired a national innovation fund. She served as CEO of the 77,000-student Cleveland, OH Municipal School District; was appointed by Rudy Crew as Supervising Superintendent of the Chancellor's District, with an annual budget of \$438 million and where she was responsible for direct oversight of the lowest performing schools in New York City; and was appointed by Ramon Cortines as Superintendent of the Crown Heights School District, Brooklyn, NY. Dr. Bennett is the current chair of the American Federation of Teachers' National Innovation Fund, she served on the board of the National Board for Professional Teaching Standards, sat on the National Assessment Governing Board where she chaired the Assessment Committee, served as a Board Member of the Albert Shanker Institute for Good Schools, served as a member of the Common Core Curriculum Board which is working on a national curricular standards, and is the former president of the Urban Superintendents Association of America.

Let me preface my remarks by restating what we have stated from day one that when our work here is complete, in March of 2011, we intend to leave five major products for the Detroit Public Schools:

1. A master education plan for 21st century teaching and learning,
2. A plan for safe and secure learning environments,
3. A master facilities plan,
4. A plan for parent and community engagement, and
5. A long term financial plan.

As the Emergency Financial Manager I am tasked with creating a sustainable framework for the funding of educational programs for the children in the Detroit Public Schools. Fiscal stability must be achieved while, at the same time, creating an educational system that empowers all students to thrive. In doing so, we face a dual challenge in this school district. The district must reduce and eliminate its deficit - cutting non-critical spending to create a smaller, more agile system with increased flexibility, credibility, and accountability - while, at the same time, investing in the future for 21st Century teaching and learning, and to develop safe and secure learning environments and quality facilities so that our children can achieve. While there is inherent tension between these dual goals, *both* are fundamental to providing for the District's children and *both* are being pursued aggressively. In balancing these goals, we are focused on what is good for kids, what moves the dial academically, and what gives high quality teaching and learning in the classroom a fighting chance.

Educating students is the core function of the Detroit Public Schools. In all my years managing cities I have led a number of turn-around efforts. However, I have never been a part of any turn-around effort where I was asked to fix the financial condition of an organization without touching, altering, or manipulating the core function of the organization. To do so is like asking the CEO of General Motors to pull the organization out of bankruptcy without altering or making any modifications to the automotive product line. In essence, this absurd example is what is being argued in the debate around academic control and financial restructuring in the Detroit Public Schools. With that in mind let me be clear about the roadblock that stands in the way of resolving the financial emergency in the Detroit Public Schools. The issues that plague the Detroit Public Schools' finances are completely structural - existing at every level across the organization. Only a dramatic restructuring of how the school system operates and provides academic services will resolve this financial emergency. As a result and as part of this we are reviewing all of our operations and are considering where managed competition in operational areas can save valuable resources while maintaining services for our students.

Tackling this challenge is what I have sought to do since my first day on the job in March of 2009 but a great deal of substantive work remains to be completed. I have taken quick and aggressive action to improve DPS' fiscal accountability and integrity. I have created a strong Inspector General's Office to investigate and audit waste, fraud or abuse. The Inspector General's Office has reviewed 281 hotline tips, opened 217 cases and closed 108 of those. They have identified 506 computer laptops that were stolen across the district in the last six months and have recovered 59 of them. Overall, the computer thefts alone have cost the district \$607,200, along with more than \$400,000 in facilities costs due to the break-ins. I

have created a strong internal auditor general to dramatically improve and constantly monitor the internal controls across the organization. One of the auditor general's first tasks was to conduct school audits at all of our 194 schools within 21 days with the assistance of 35 audit professionals. These audits revealed a complete lack of training on the district's cash management procedures. Prior to my arrival some schools had not been audited in over 6 years. We have identified ghost employees on our payroll and we identified 2,802 ineligible dependents on our benefit rolls, which have now been dropped for a savings of \$9.5 million.

To bring spending in line I and my team closed 29 schools, reduced 2.1 million square feet of facility space and lowered net annual operating and personnel expenses by over \$14 million, with further consolidation and reinvestment to come. We reduced 2,451 employees – 17.7 percent of the total DPS workforce from our employment rolls. We provided consideration of nonrenewal notices to all 685 administrators and, as part of that process, I personally conducted 627 nonrenewal hearings. We reduced the central office staff funded on the general purpose fund by 72 percent. This fall 19 of 42 comprehensive and alternative high schools opened with new principals. Additionally, 37 of the District's principals received new assignments, and 44 others did not have their contracts renewed. Through a national competitive bidding process we brought in four educational partners with a proven track record of raising student achievement to spearhead a historic transformation of 17 of the District's lowest-performing high schools. These organizations each have performance-based, multi-year contracts and will be monitored to ensure success. We are in the process, through another competitive bidding process, of bringing in partners for another 30 low performing elementary and middle schools that have failed to make Adequate Yearly Progress for several consecutive years pursuant to the No Child Left Behind Act. Most recently, we

reached an agreement with the Detroit Federation of Teachers that makes a tremendous investment in a host of educational reforms and saves the District \$109 million over the next three years. We have also been able to restructure our health benefits for certain collective bargaining units resulting in additional savings for the district. The health care cost savings from the teachers contract alone will save the school district \$28 million in the first year. And even with this, we continue to face significant and challenging financial hurdles this fiscal year and we anticipate the same for next fiscal year.

One of the major factors that led to the decision to appoint an emergency financial manager over the Detroit Public Schools was fact that the State of Michigan had designated DPS a “high risk” grantee of federal dollars prior to our arrival. This designation still exists as a result of the expenditure of federal funds in the past. To be clear, this is the most dramatic action that any state department of education can take on a local grantee. DPS was placed on “high risk” because of a complete lack of policies and procedures, a lack of internal controls and because of a culture that failed to take its fiduciary responsibilities seriously. This mismanagement resulted in repeat audit findings year after year by independent external auditors. Last year’s audit reported a total of 84 repeat findings or issues that were unresolved. There were two types of findings. Fifty-three (53) of the findings were related to financial reporting and thirty-one (31) were for administration and compliance of federal programs. This year, as a result of the hard work of my team we resolved 89% of the financial reporting findings and partially resolved another 8%. In addition, we resolved 55% of the federal program findings and partially resolved an additional 23%. This marks a substantial improvement over the prior years’ audits and resulted in DPS receiving a clean unqualified opinion from our independent external auditors.

Our plan is to create a budget for 2010-11 that is vetted with the community and which will eliminate or reduce the legacy deficit and the operating deficit. To do so will require well over \$300 million of restructuring including the additional closing and consolidation of a number of schools as well as a restructuring of how we provide educational services to our students and an overhaul of the types of educational services provided.

In November, I and my team, with the help of parents and community leaders, fought for and Detroit voters approved by a 61-39 percent margin proposal S, which will allow Detroit Public Schools to build eight new schools and modernize 10 schools by taking advantage of \$500.5 million in stimulus dollars that President Barack Obama made available to build new schools and modernize existing schools. I personally attended 57 town hall meetings or other community sessions prior to the election. The funds will come to DPS in the form of low-interest bonds available under the economic stimulus package. These dollars must be spent quickly—within 3 years. DPS received the 6th largest allocation of qualified school construction bonds in the country (\$246 million over two years). In December \$290 million of these bonds were sold and based on the low interest rates, much more of the funds are able to be used to upgrade our schools and not for interest payments. We immediately created a 15 member Oversight Committee with unparalleled community and professional leadership represented, and that Committee held its first meeting two days ago. That Committee includes parents and labor leaders as well as Detroit Mayor Dave Bing and US Congressman John Conyers. Not only through this process, but since day one in March I have met with literally thousands of community members and parents in various community settings on all issues facing the school district.

Most recently, as a result of my declaration of a reading emergency in the City of Detroit, the community came forward to volunteer for tutoring with our youngest students. The fact that 3,387 metro Detroit residents have already pledged 410,035 volunteer hours – equivalent to more than \$5.3 million in volunteer time - to the new Detroit Public Schools/Detroit Free Press Reading Corp is undeniably encouraging in light of the extreme reading emergency facing this community. It is also a clear signal that citizens want the focus solely placed on the needs of the kids, so much so that they will give freely of their own time and resources to be a part of the solution.

In the debate taking place among leaders regarding academic governance of this school system, chairman Melton last week asked the profound question-and we thank him for doing so, “Is there ever a time when academics are so bad that there needs to be some additional oversight?” I believe the discussion must focus only on what is best for kids, not on the needs and desires of adults. This should not be about who is in charge or about any one leader of this school system, but about righting the great wrongs that this school system has inflicted on far too many of its children.

If this is the focus, the agenda would follow one course: what must be done quickly to respond to the growing academic emergency facing Detroit, an emergency that goes well beyond reading scores and shows symptoms in every major measure of academic performance and student achievement. These indicators for the most recently completed school year in Detroit should be viewed as a call to act:

- The District as a whole is failing its students and has not made Adequate Yearly Progress (AYP) for 3 consecutive years. Elementary/Middle Schools did not meet AYP criteria for attendance and students with disabilities. For high schools, AYP criteria were not met for achievement targets, the participation rate and the graduation rate.
- 8,761 students were not promoted to the next grade, accounting for nearly 10% of the population. At the ninth grade level, a full one-quarter of all students, 2,616 Detroit students, were not promoted to Grade 10. Nineteen percent (19%) or 1,586 Grade 10 students were not promoted to Grade 11. High school students who are not promoted annually are off-track for graduation.
- DPS graduated just 58% of its students and showed a dropout rate of 27%. For Black males, the graduation rate is 49% and the dropout rate is 33%.
- Currently, there are 8,983 (non-special education) high school students who are “overage” for their current grade. This accounts for approximately 37% of the high school population. District-wide, there are 20,255 non-special education students who are overage for their current grade, accounting for approximately 23% of all students enrolled.
- Of the 163 schools eligible to receive an Adequate Yearly Progress (AYP) status, 112 schools, or 69%, did not make AYP.

- The average daily attendance rate for students is 84%. In the 2008/2009 school year, the average high school student missed 46 days of school. Nearly 10% of high school students missed over 100 days of school.
- The district's composite American College Testing (ACT) score is 15.6; the national average is 21.1.
- Detroit students score from 22-29 percent below the state average on MEAP reading, writing, math, science and social studies tests.
- Detroit students score from 24-34 percent below state average on Michigan Merit Exam (MME) reading, writing, English Language Arts, math, science and social studies tests.
- And, on the more rigorous National Assessment of Educational Progress exam, Grade 4 mathematics results indicate that no students earned scores at the advanced level, 3% earned scores at the proficient level, 28% earned scores at the basic level and 69% earned scores at the below basic level.
- Winter 2009 NAEP Grade 8 mathematics results indicate that no students earned scores at the advanced level, 4% earned scores at the proficient level, 18% earned scores at the basic level and 77% earned scores at the below basic level.
- In addition, for this school year, 89 students have been expelled from the Detroit Public Schools.

- For school year 2009/2010, 8,539 instances of students receiving short-term or long-term suspension have been documented district-wide.

Who's to blame? Certainly not the children, but the adults who have maintained a system that has overwhelmingly failed those children and in which, while there are pockets of excellence and many individual student success stories, has far from met the goal of creating centers of excellence for every child, every day, in every school in every neighborhood.

The time has passed for excuses, delays, partial steps, incremental acts and temporary solutions. The lives of tens of thousands of Detroit youth hang in the balance.

It is your decision, not mine, as to the course of any legislation in front of you. Our goal is to demonstrate what we have found in terms of data.

And, I want to be clear, because oftentimes the critics state that we do not recognize the success stories. There are success stories and we hear about them every night. We know that not only do we have schools like Renaissance and Cass and Bates and select others, we have students succeeding, getting hundreds of thousands of dollars in scholarships to the finest schools in the U.S. and abroad. In fact, we meet some nearly every day, and every evening as we are out in the community. However, until we create these opportunities for every student at Harding Elementary School in Brightmoor and Bennett Elementary in southwest Detroit, and Beckham Academy, and everywhere else, until all of our schools are centers of excellence, every day, until we set and begin to move toward meeting

the highest rigorous standards across the district, we have failed as adults in leadership positions and, I would assert, we owe every child that has failed a profound apology.

We must believe that it can be done. President Kennedy set forth one day to put a man on the moon by a date certain. He succeeded, and in doing so, inspired a whole nation. We can do the same in Detroit. Thank you for the opportunity to testify before you this morning.